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RUEHMN/AMEMBASSY MONTEVIDEO PRIORITY 9531  
RUEHQT/AMEMBASSY QUITO PRIORITY 1930  
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TAGS: [PGOV](#) [PREL](#) [ETRD](#) [PINR](#) [PE](#)  
SUBJECT: PERU'S REGIONAL RELATIONS POST EU SUMMIT

REF: LIMA 877 AND PREVIOUS

Classified By: Ambassador P. Michael McKinley for reasons 1.4 (b) and (d).

¶1. (C) Summary: Following the successful EU-LAC summit in May, poloffs spoke to contacts inside and out of government about Peru and the region. Peru's relationship with Brazil got a boost in post-summit bilateral meetings focused on promoting Brazilian investment here. Lima has also publicly signaled its interest in Brazil's South American Security Council initiative but privately expects it to go nowhere. While Foreign Ministry contacts said that diplomatic relations with Chile had not yet recovered from Peru's decision to take its maritime border "dispute" to the Hague, with Ecuador things were advancing smoothly in the run-up to the ten-year anniversary of the bilateral peace agreement. GOP officials are communicating with Ecuadorian and Colombian counterparts to facilitate a normalization between those two countries. Negotiations over an Association Agreement between the Andean Community and the European Union continue "bloc to bloc," although the EU has said that individual countries -- i.e. Bolivia and Ecuador -- may opt out of the trade portion of the deal (our CAN contacts say this is not so). End Summary.

Brazil: Commercial Links and the South American Security Council

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¶2. (C) Peru's already strong relations with Brazil got a significant boost during post-summit bilateral meetings in Lima, which included presidential and high-level private sector meetings. According to MFA Director General for South America Jose Luis Salinas, the thrust of the bilateral meetings was on expanding Brazilian investment and commercial participation in Peru. Salinas underscored the participation of prominent business group from Sao Paulo -- the Sao Paulo State Federation of Industries -- in the meetings as an important signal of Brazil's interest and intentions in this respect. He noted that press reports regarding a \$2.5 billion Petrobras investment in a petrochemical plant and elsewhere was for the purpose of "exploration;" assuming the success of this investment and the completion of ongoing and future road infrastructure projects connecting the two countries, Peru's relations with Brazil would only grow deeper and more intensive over time.

¶3. (C) In the subsequent South American Presidents meeting in Brazil, Salinas noted, Peru had signed on to the South American Union (Unasur) project as a symbolically important

step towards regional unity. As for Brazil's proposed South American Security Council, the GOP publically supported the proposal -- primarily as a nod to Brazil -- but privately believed the agreement would not move forward. Given the opposition of Colombian President Alvaro Uribe on the grounds that all members of such a council would have to share a vision of regional security challenges, including terrorism and the reality that the FARC was a terrorist group, the initiative was unlikely to prosper. Several analysts, including a senior military officer, told us it made more sense to utilize one of the many inter-American institutions already in existence than to create a new one that would further muddle the region's institutional landscape and almost inevitably falter in its implementation. That said, Defense Minister Flores-Araoz told the Ambassador that if consensus ever emerged on the proposal, Peru would join.

#### Chile: Relations Still Face Hurdles

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¶4. (C) Our Foreign Ministry counterparts told us relations with Chile had not returned to normal as quickly as hoped in the aftermath of Peru's presentation of the maritime border dispute to the Hague in January. According to the MFA's Chile desk officer, the GOP proposed restarting the regular 2 2 Defense and Foreign Minister meetings (halted in January), but Santiago had not responded. Meanwhile, the bilateral trade agreement continues to languish in Chile's congress after being taken off fast track. MFA DG Salinas told us the problem was not at the presidential level -- Presidents Garcia and Bachelet got along fine and had a positive bilateral meeting during the EU-LAC Summit (the Chilean DCM confirmed this) -- but rather rooted in political pressures coming from political opposition and civil society groups on both sides of the border. Salinas added that there were two more moments in the Hague process that could inflame tensions: March 2009 when Peru must submit a report outlining the fundamentals of its case, and March 2010 when Chile must submit its response. After that, the judicial process will take over and the Foreign Ministry hopes the dispute will become less prey to political forces and more securely on strict legal tracks.

#### Ecuador: Positive Ties

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¶5. (C) Peru's relations with Quito are on a generally positive course, according to Salinas. Bilateral working group meetings continue and facilitate useful dialogue on a range of border, commercial, security and other issues. Currently, the two countries are planning celebrations for the ten year anniversary of the Brasilia peace accord ending hostilities between the two countries. Trade Minister Mercedes Araoz affirmed Salinas' perspective in a recent public statement calling relations with Ecuador "very good" and stating that she believed Peru had Ecuador's support to change an Andean Community (CAN) regulation on intellectual property that conflicts with implementation requirements of Peru's trade agreement with the United States. (Note: Our contacts at the CAN are less certain that Ecuador will ultimately support Peru's request, but are hopeful that a compromise can be found that will not force Peru to leave the organization. End Note.)

#### Ecuador-Colombia

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¶6. (C) The GOP is also seeking to help Ecuador restore normal relations with Colombia. Peruvian Foreign Minister Jose Garcia Belaunde told the Ambassador this week that he plans to travel soon to Quito where he will offer the GOE Peru's help to find a solution. Peruvian Defense Minister Antero Flores Araos told the Ambassador he explained to President Uribe during his recent visit to Colombia that OAS Secretary General was doing his best to mediate the conflict, but that Uribe should not depend on the OAS as an institution because too many member governments in the region are beholden to Venezuela through preferential aid deals or ideological sympathies.

#### CAN-EU: Making Negotiations More Flexible

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17. (C) After the EU-LAC summit in May, there were reports that the European Union had agreed to negotiate a free trade agreement on separate tracks with different members of the Andean Community (CAN), i.e. faster with Peru and Colombia (which wanted the agreement), and slower with Bolivia and Ecuador (which had significant reservations). Other reports said that the EU and the CAN agreed to allow individual countries to opt out of one of the three pillars of the negotiations -- trade, cooperation, and political dialogue -- while maintaining the broader Association Agreement.

18. (C) According to CAN Director General Adalid Contreras, both of these reports are incorrect and based on public misrepresentations of private CAN-EU meetings held during and around the May summit. Contreras explained to poloffs that the EU only has a mandate to negotiate "bloc to bloc" and allowing countries to pick and choose which pillars of a three-pillar agreement to accept would contradict the normative basis of the negotiation. He added that the trade pillar must remain but the EU and the CAN were considering allowing individual countries to adopt modified trade rules in certain areas in order to build consensus, but this approach has not yet been adopted.  
MCKINLEY